

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7711

BILL NUMBER: SB 268

DATE PREPARED: Apr 3, 2001

BILL AMENDED: Apr 2, 2001

SUBJECT: Grants to Upgrade Voting Systems

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FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill provides that punch card voting systems may not be used in an Indiana election after December 31, 2004.

The bill requires the Indiana Department of Administration to award quantity purchase agreements to voting system vendors for use by counties to purchase new voting systems or an upgrade or expansion of an existing voting system.

This bill also establishes the Voting System Improvement Fund (**VSIF**) to reimburse counties for the purchase of new, upgraded, or expanded voting systems. It provides that the fund consists of appropriations made by the General Assembly, all Federal money received by the State for voting systems improvement, and the proceeds of bonds issued by the Indiana Bond Bank for improvement of voting systems as authorized by law. The bill provides that money appropriated from the General Assembly may only be used to reimburse counties for the purchase of new voting systems or the upgrade or expansion of existing voting systems that occur after this act becomes effective. This bill also provides that money received by the State from the Federal Government may be used to reimburse counties for: (1) the purchase of new voting systems or the upgrade or expansion of existing voting systems that occur after this act becomes effective; or (2) the purchase of a new voting system or an upgrade or expansion to an existing voting system that occurred before this act becomes effective and that meet certain criteria. The bill provides that a county may be reimbursed up to 50% of the amount of expenditures made for a new, or an upgraded or expanded voting system.

This bill also establishes the Voting System Education Fund (**VSEF**) to reimburse counties for development and implementation of programs for educating voters about voting procedures. The bill provides that a county may be paid up to 50% of the amount of reasonable development and implementation costs of the program. This bill also provides that payments from the Voting System Improvement Fund may not be made after December 31, 2004.

Effective Date: Upon Passage; July 1, 2001.

Explanation of State Expenditures: (Revised) The Election Division would be required to administer the Voting System Improvement Fund (**VSIF**) and the Voting System Education Fund (**VSEF**). The Election Division has indicated that both the VSIF and VSEF could be administered with existing resources. As of August 2000, the Election Division had nine authorized full-time staff members. Of these positions the Division has two co-directors that would be able to oversee the VSIF and VSEF, and an additional staff member that could handle the expense administration of the Fund. The Division already oversees the Campaign Finance Enforcement Fund, similar in structure to the proposed funds, which is a non-reverting dedicated fund.

The Auditor of State would be required to create two accounts within the VSIF to separate money appropriated by the General Assembly and any money received by the State from the Federal Government. Proceeds from bonds issued by the Indiana Bond Bank may be deposited in either account of the VSIF. The Auditor of State should be able to carry out this provision, given existing resources.

The bill does not make an appropriation for these funds. Payment from the VSIF for the purpose of reimbursing the cost of purchased voting equipment by a county expires January 1, 2005. Payment from the VSEF for voter education would be ongoing.

The Voting System Improvement Fund: The VSIF may receive appropriations from the General Assembly (including money appropriated from the Build Indiana Fund), proceeds from bonds issued by the Indiana Bond Bank, and Federal funds. Money remaining in the VSIF at the end of a State fiscal year would not revert back to the General Fund. All expenses to administrate the VSIF must be paid out of the VSIF. The Treasurer of State would be required to invest the money in the VSIF not currently needed for obligations of the fund, with interest being deposited into the VSIF. Money in the VSIF is appropriated continuously by the General Assembly for the purpose of reimbursing counties for the purchase of new voting systems or for the upgrade or expansion of existing voting systems purchased after the bill becomes law.

As amended, the Election Division would reimburse a county for new or expanded voting equipment with VSIF funds. If any Federal funds are received and still in the Voting System Improvement Fund after all county expenses for updated voting technology have been completed, the remaining Federal money reverts to the **VSEF** to the extent permitted by Federal law. No Federal money is believed to be currently available for upgrades of voting technology in an Indiana county.

This bill allows the VSIF to provide up to 50% reimbursement to counties purchasing, upgrading, or expanding existing voting systems. For the 35 punch card counties to update their voting systems, the estimated cost of reimbursement from the State would range from \$4.0 M to \$5.1 M if all optical scan machines are purchased. The estimated reimbursement for the purchase of direct recording electronic (DRE) voting systems would range from \$6.7 to \$9.2 M for the 35 counties.

By incorporating the 48 counties that already have either a DRE or optical scan system in place, it is estimated that a 10% to 15% increase to the number of existing machines could occur as some counties experience a potential increase in precincts and normal replacement of machines. The estimated range of expanding or replacing existing DRE or optical scan machines is \$0.9 M to \$1.4 M.

As of the last general election, nine counties operated lever machine voting systems. The inclusion of the nine lever counties to purchase either optical scan or DRE equipment would increase the impact.

Reimbursement to the lever counties is estimated at \$2.4 M to \$3.8 M if all optical scan machines are purchased. Reimbursement for a DRE voting system in these nine counties is estimated at \$4.4 M to \$7.2 M.

The amended bill requires that all applications requesting reimbursement from counties to update their voting systems, including the 35 punch card counties that are required to and any additional counties that choose to replace, update, or expand, must be sent to the State Budget Agency by January 1, 2003. After review by the Budget Committee, the Budget Agency would approve a county's application for reimbursement. Reimbursements from State funds would be available, subject to Budget Agency approval of an application, beginning upon passage of the bill and would continue, given availability of funds, until January 1, 2005.

The Indiana Department of Administration would be required to award the quantity purchase agreements to vendors for the purchase of new, upgrades of, or expansion of existing voting systems by counties.

Counties that have already purchased or updated voting technology: As amended, the bill allows a 50% match from any Federal or Indiana Bond Bank proceeds in the VSIF Federal funds account to the 48 counties that already purchased or upgraded their voting technology before the enactment date of the bill. The grant match could be received if the upgrades to or expansion of the existing voting systems meet the criteria of the bill. These counties would be reimbursed using only available Federal funds and bond proceeds from the Indiana Bond Bank that have been deposited in the VSIF. No General Fund money would be provided for these counties. These counties would have to apply for the grant in the same manner as those counties that upgrade after the bill's enactment into law. There are 25 counties that have already adopted direct recording electronic (DRE) technology and 23 counties that have adopted optical scan which may qualify for reimbursement. It is estimated that a 50% State match to these 48 counties that have already purchased or updated their voting technology could be at least \$9.1 M.

The Voting System Education Fund: The VSEF is to be used to provide money for the development and implementation of programs by counties for educating voters about voting procedures, at a rate of 50% of the cost of the approved voter education program. Applications must be reviewed by the Budget Committee and approved by the State Budget Agency. Any impact to the VSEF is indeterminable and would depend on the amount of requests made by counties on behalf of voting education programs. The VSEF may be funded by appropriation by the General Assembly (including money appropriated from the Build Indiana Fund). The expenses of administering the VSEF are to be paid from the VSEF. The Treasurer of State would be required to invest the money in the VSEF not currently needed for obligations of the fund, with interest being deposited into the VSEF. Money in the VSEF is appropriated continuously for the purpose of development and implementation of programs by counties for educating voters about voting procedures.

Background: Currently, there are four main types of voting systems that are certified for use in Indiana. They include punch card systems, lever machine voting systems, DRE systems, and optical scan systems. The following table illustrates the alternative voting systems that are currently approved by the Indiana Election Commission.

Manufacture/Model	Type	Cost per unit
ESS/OPTECH 3-P	Optical Scan	\$5,500
Microvote/MV464	Direct Recording Electronic	\$4,450
GBS/Accuvote ES-2000	Optical Scan	\$5,000
GBS/Accutouch TS	Direct Recording Electronic	\$3,500
Fidlar Doubleday/EV 2000	Direct Recording Electronic	N/A

Based on information provided by Government Business Systems (GBS), Election Systems and Software (ESS), Microvote, and the Indiana Election Division, some of these systems listed above are priced by precinct. There are currently 5,530 precincts in the state. Approximately one OPTECH 3-P would be required per precinct in a county adopting this voting system. As an alternative, approximately one MV464 machine would be required for every block of 300-400 registered voters in a county, or approximately 70% turnout. One Accuvote ES-2000 machine would be required per polling location. The GBS Accutouch would require three machines per precinct.

The approval by the Indiana Election Commission to market the GBS Accuvote ES-2000 expires in February 2002. Approval to market the ESS OPTECH 3-P expired October 18, 2000. Approval for the marketing of the Microvote MV464 expires in September of 2002. Approval for marketing the GBS Accutouch and the Fidlar Doubleday EV2000 expires January 27, 2005. The timing of the expirations, assuming no renewal by the Commission, could contribute to the timing of action taken, if any, in respective counties that are not required to update by the bill.

In addition to the cost for the replacement/upgrade of voting machines, the estimate includes the cost for paper ballots. Optical scan systems require paper ballots. The average cost of an optical scan ballot was thirty cents in CY 2000. The estimate does not include any additional software costs that may be incurred by a county purchasing a new voting system.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) ***Voting Systems:*** If only the 35 punch card counties upgrade, total expenditures at the county level range from \$4.0 M to \$5.1 M if optical scan machines are purchased by all counties. The range for direct recording electronic (DRE) systems is estimated at \$6.7 M to \$9.2 M. In addition, the inclusion of the nine lever counties to purchase either optical scan or DRE equipment could increase the impact. The cost to the lever counties is estimated at \$2.4 M to \$3.8 M if optical scan machines are purchased. The range for direct recording electronic (DRE) systems is estimated at \$4.4 M to \$7.2 M. Based on an estimated 10% to 15% increase for the expansion of existing voting systems discussed above, the estimated cost of expanding or replacing existing DRE or optical scan machines in the 48 counties that have already converted to either DRE or optical scan is \$0.9 M to \$1.4 M.

Counties that have already purchased or updated voting technology: As amended, the 48 counties that have already purchased or upgraded their voting technology would be able to receive an estimated total of at least \$9.1 M from State matching grants, given the availability of Federal Funds and Indiana Bond Bank bond proceeds. It is unknown whether Federal money would also be available to these counties who previously purchased and updated their technology before the enactment of the bill into law.

Total expenditures would depend on the action of counties that may upgrade under this bill, in addition to the 35 punch card counties where upgrade/replacement is required.

Voter Education Programs: Impact to the counties for voter education programs is indeterminable. The impact would depend on the number of application requests sent to the Budget Agency for approval.

Explanation of Local Revenues: (Revised) As described in *Explanation of State Revenues*, funding may be provided by the Federal government and reimbursed to the county. As mentioned above, no money is currently known to be available from the Federal government for the purpose of reimbursement for updating voting technology in Indiana counties.

State Agencies Affected: Indiana Election Division; Indiana Election Commission; Indiana Office of the Treasurer of State; Indiana Auditor of State; Indiana State Budget Agency; Indiana Bond Bank; Indiana Department of Administration.

Local Agencies Affected: Counties.

Information Sources: Indiana Election Division; Rob McGinnis, Election Systems and Software (317) 913-0230; Steve Corey, Government Business Systems, 1-800-659-1516; Steve Shamo, Micro Vote, (317) 257-4900.